



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

April 28, 2005

The Honorable Douglas Henry, Chairman
Senate Finance, Ways and Means Committee
11 Legislative Plaza
Nashville, Tennessee 37243

and

The Honorable Craig Fitzhugh, Chairman
House Finance, Ways and Means Committee
33 Legislative Plaza
Nashville, Tennessee 37243

Dear Chairmen:

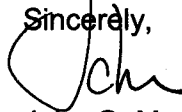
Pursuant to Section 9-4-5202, Tennessee Code Annotated, the State Funding Board secures a report of the estimated growth rate of the State's economy for the coming fiscal year from The University of Tennessee's Center for Business and Economic Research. A copy of this report dated April 26, 2005 is attached. This estimate is based on the projection of growth of personal income contained within the broader economic forecast derived from the Tennessee Econometric Model. A detailed discussion of the forecast is provided in the Economic Report to the Governor, dated January 2005. This report currently can be found on UT-CBER's website [<http://cber.bus.utk.edu/erg/erg2005.pdf>]

The statute directs the Board to determine the reasonableness of the estimated growth rate. In order to reach a conclusion as to reasonableness, the Board met on April 26, 2005, to discuss the estimate and the economic forecast from which it was derived. The Board was assisted in the effort by a staff paper dated April 26, 2005, prepared by Mr. Kevin Krushenski, Legislative Research Analyst, with the Office of Research of the Comptroller of the Treasury. This staff analysis, attached for your information, compares gross domestic product estimates produced by CBER with the estimates produced by other economic forecasting agencies as well as evaluates current economic conditions and trends via outside forecasts. Dr. William Fox of CBER also attended the meeting. The staff analysis and Dr. Fox's report on the estimated growth rate currently can be found on the Comptroller's website under "Economic and Business News". [<http://www.comptroller.state.tn.us/econbus.htm>]

After carefully reviewing the report and staff paper and discussing the forecast, the Board has directed me to convey to you our determination. The Board finds that the estimate of growth rate in Tennessee nominal personal income determined at 5.5% appears reasonable.

Also, attached is a list of state tax and non-tax revenue sources as approved by the State Attorney General as of April 26, 2005, which includes as non-tax revenue sources the Tobacco Litigation Settlement and Lottery Revenues.

Sincerely,

A handwritten signature in black ink, appearing to read 'John', with a large loop at the end.

John G. Morgan, Secretary
Tennessee State Funding Board

Attachments (3)
JGM:avb